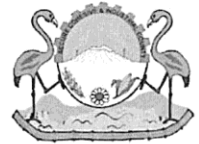




**REPUBLIC OF KENYA
COUNTY GOVERNMENT OF NAKURU
DEPARTMENT OF FINANCE AND ECONOMIC PLANNING**



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5th September, 2023

TREASURY CIRCULAR NO. 8

TO: ALL ACCOUNTING OFFICERS/CHIEF OFFICERS
CLERK, COUNTY ASSEMBLY OF NAKURU
SECRETARY, COUNTY PUBLIC SERVICE BOARD
MANAGER, NAKURU CITY
MANAGER, NAIVASHA MUNICIPALITY
OFFICE OF THE COUNTY ATTORNEY

NAKURU COUNTY

RE: GUIDELINES FOR THE IMPLEMENTATION OF THE FINANCIAL YEAR 2023/2024 BUDGET

A) PURPOSE

- 1) This Circular is issued in accordance with Section 104 of the Public Finance Management Act, 2012 and provides guidelines for Implementation of the current budget FY 2023/2024 and the Medium-Term Budget. The guidelines apply to all County Departments, Entities and the County Assembly.

B) BACKGROUND

- 2) The budget for the FY2023/2024 and the Medium Term is on the basis of the PFMA Act 2012, and the enabling Regulations and, the Executive Order No.1 of 2023. This being the first budget to be prepared under the current County administration, Heads of Departments/ Entities are required to spearhead the implementation of the fiscal

strategies and policy initiatives of the current Government for the medium-term period as espoused in its development agenda.

- 3) The fiscal framework of the MTEF, period 2023/2024 – 2025/2026 was largely shaped by the current integrated plan period espoused in the 3rd CIDP 2023-2027, and the National Government Bottom-up Economic Transformation Agenda (BETA). Amongst the development agenda being pursued in the period include:
 - a) Completion of ongoing projects
 - b) Leveraging on growth in productive sectors of the economy
 - c) Promotion of access to integrated, quality and affordable healthcare services
 - d) Enhancing governance, transparency & accountability in delivery of public good
 - e) Creating enabling environment for promoting private sector growth and faster growth of MSMEs; and
 - f) Operationalisation of County physical and social infrastructure.
- 4) During the FY2023/2024, Accounting Officers should endeavour to improve budget implementation towards achieving 100 percent absorption rate by undertaking the following:
 - i. Ensuring that key Officers who are entrusted with the implementation process are familiar and have a clear understanding of existing laws, Regulations and guidelines that govern budget implementation.
 - ii. Ensuring full compliance with County Treasury circulars that have been issued and whenever issued strictly adhere to timeliness in submission of required periodic reports necessary in decision making.
 - iii. Fast track completion of all ongoing capital projects appropriated in the budget.
 - iv. Ensure that all projects have their architectural designs and bill of quantities prepared with reference to existing laws, Regulations and guidelines and well in advance and forwarded to the Procurement Department before 31st October, 2023 for implementation.
 - v. Ensuring that ineligible expenditures on areas outside the project approval are not incurred.

- vi. Processing payments to contractors and suppliers on time upon submission of completion certificates and supply of goods and services to avoid pending bills accruing.
- vii. Seek approvals from the County Treasury before commencing recruitment or replacement and promotion of staff to ensure availability of funds.
- viii. Observing timeliness/deadlines in submitting periodical reports as agreed with the development partners in cases of externally funded projects.
- ix. Providing adequate disclosures of material matters during reporting to avoid audit queries.
- x. Ensuring timeliness/deadlines are observed in submitting statutory reports which are accurate, verifiable, consistent and reliable as provided for in the PFMA 2012, PFM Regulation 2015.
- xi. Ensuring that challenges in documentation and performance reporting are addressed.

C) SPECIFIC GUIDELINES

- **IFMIS System**

- 5) All transactions and expenditures during the implementation of FY 2023/2024 Budget must be carried out in the IFMIS platform.

- **Work Plans, Cash Plans and Procurement Plans**

- 6) Departments and Entities were required to prepare draft Annual Work plans in the format provided in **Annex I**, Cash plans and Procurement Plans before the end of June 2023 to facilitate commencement of implementation of the FY 2023/24 budget. In this respect, Departments and Entities are expected to commence procurement on time to expedite implementation of programmes and projects.
- 7) Changes in work plans and procurement plans during the fiscal year should only be done with the approval of the Accounting Officer in consultation with the County Executive Member/Head for the respective Department/Entity.

- **Cash Flow Projections**

- 8) Departments/Entities were required to prepare and submit annual Cash Flow projections by 12th of June 2023. The cash flow plans will be used to determine the issuance of Departmental Authority to Incur Expense (AIEs). Accounting Officers must therefore ensure that the work and procurement plans are consistent with the cash flow plans. Accounting Officers are also required to regularly review the cash requirement for their Departments/Entities and inform the County Treasury at least one month in advance of any changes which may be required.

- **Revenue Collection**

- 9) The Finance Act 2019 and thereafter Finance Bill 2023, upon approval, and other enabling legislations will provide the basis for revenue collection. Revenue collection is automated through the County Integrated Financial Management System (CIFOMS). With respect to the above, the Department of Finance and Economic Planning will continue to carry out capacity building of Revenue Officers to facilitate the implementation of requisite laws for enhanced revenue collection and the new revenue system. Collaborative approach between the County Treasury and line Departments on matters regarding revenue collection will significantly impact positive on the amount collected. Efforts will further be intensified to increase own source revenue while leveraging on development partners and donors including the World Bank, IFAD to supplement capital allocation in the budget.

- **Issuance of A.I.Es**

- 10) Issuance of A.I. Es should be entered as a commitment in the master vote book so as to ascertain at all times the availability of uncommitted funds. Authority to Incur Expenditure (A.I.E) for field Offices should be issued to the respective Officers not later than 15th day of each quarter. Actual expenditures should not exceed the limits authorized in the AIE's.

- **Procurement of Goods and Services/Disposal of Obsolete Goods**

- 11) All Public Procurements shall be conducted in accordance with the Public Procurement and Disposal Act, 2015 and PPDA Regulations, 2020. Accounting Officers should take the

necessary measures towards achieving the 100 percent budget absorption rate, including early initiation of procurement process to avoid last minute purchases and award of contracts towards the end of the financial year. Accounting Officers shall only be required to make expenditure commitment against the approved Procurement Plans based on the Approved Budget FY 2023/2024.

- **Disposal of Assets**

- 12) The County Treasury shall take a lead role in all disposals processes as envisaged by Section 33 and 53 (5) of the Public Procurement and Asset Disposal Act 2015.
- 13) In light of the above, all Accounting Officers shall be required to prepare detailed listing of all asset identified for disposal and have the same submitted to the County Treasury- Director Supply Chain Management- for the necessary action. Accounting Officers are reminded to adhere to the relevant legislations while identifying obsolete assets for disposal.
- 14) Projects whose procurement were not completed in FY 2022/2023 and funds have been identified for roll over will be procured afresh after being appropriated in the ensuing Supplementary Budget FY 2023/2024
- 15) All Accounting Officers are required to submit to the County Treasury at the end of each quarter the contract register in the format provided in **Annex II**.

- **Pending Bills and FY2022/2023 Carryover IB Commitments**

- 16) **Historical Pending Bills:** Cases of historical pending bills must be disposed of on the basis of special audit report conducted by the Office of the Auditor General and further the report of the Pending Bills Committee. These bills will continue to be dealt with by the County Treasury strictly on the basis of the recommendations made therein.
- 17) In order to ensure that there is no accrual in payment arrears (pending bills) on recurrent expenditure, Accounting Officers should ensure that any carryover payments emanating from the FY2022/23 are treated as a first charge against FY2023/2024 budgetary allocation before having any new commitments. The pending bills should be

accommodated strictly within the budgetary provisions for respective Departments/Entities without seeking additional funding from the County Treasury.

- **Commitment Control**

- 18) All commitments should have adequate budgetary provisions. Accounting Officers should ensure that unauthorized, irregular and wasteful expenditure are avoided, and corrective steps are taken where such expenditure has been incurred including disciplinary action against any Public Officer who has gone against the PFM Act 2012. All commitments for supply of goods and services shall be done by 31st May, 2024.

- **Personnel Expenditure**

- 19) Accounting Officers with approved allocation for recruitment and promotion are required to expeditiously prepare an Indent to the County Public Service Board so as to ensure the funds are utilized before the financial year lapses. Replacement of staff arising out of natural attrition will only be considered after the Department/Entity has obtained funding approval from the County Treasury.
- 20) To determine the allocation for promotion of staff in the current financial year, Departments are requested to forward a comprehensive list of staff promoted in FY 2022/2023 and not factored in the personnel budget FY 2023/24, that was prepared in January 2023. The list should include the cost implications in the FY 2023/2024 (July 2023-June 2024) budget period. Detailed components of Personnel budget for FY 2023/2024 is provided in the approved programme based FY 2023/2024 budget.
- 21) All Collective Bargaining Agreements (CBAs) with Trade Unions and salary reviews with additional cost implication must be referred to the County Treasury to confirm the availability of funds. Such confirmation shall be communicated through duly signed letters to the County Executive Committee Member for Finance and Economic Planning. In addition, requisite advisory must be obtained from the Salaries and Remuneration Commission and Nakuru County Public Service Board prior to signing any agreement.
- 22) ***Insurance schemes for employee:*** The payment of insurance should be administered strictly on approved scheme for employees based on SRC circulars for public Officers

serving in County Governments. This includes medical scheme as per SRC Circular Ref. No SRC/TS/CGOVT/3/61 dated 19th December 2014 and any other Circular issued thereafter regarding the same.

- 23) **Payroll:** Accounting Officers are reminded to carry out monthly staff and payroll audits to ascertain payroll accuracy and integrity in compliance with Regulation 120(3) PFM Regulations 2015. Further, Accounting Officers should ensure that a report on the spending by Departments/Entities on personnel emoluments with explanation of deviations is rendered to the County Treasury by 10th of every month.

- **Capital Projects**

- 24) The FY2023/2024 Development budget is project specific with clearly set outputs, performance indicators and targets. To enhance project implementation, Accounting Officers are required to appoint suitable Officers to Project Implementation teams with Project Manager for their respective Departments. The Project Implementation Teams will be responsible for the achievement of the set targets for the projects and also report regularly on the implementation status of the projects.
- 25) Accounting Officers are required to fast track implementation of development projects to improve completion rates and realisation of the intended benefits. In addition. Accounting officers should ensure Efficiency, Effectiveness and Economy in project implementation
- 26) Accounting Officers are requested to ensure that records of all retention are maintained on payment of capital projects and the said forwarded to County Treasury with financial reports on 10th of subsequent month.

- **Reallocation of Funds**

- 27) Reallocations should only be done on the context of the provisions of Section 154 (2) and (3) of the Public Finance Management Act, 2012. Reallocations will only be allowed to cater for urgent and unforeseen expenditures that may arise in the course of budget implementation. However, such reallocations should not result in the alteration of the original priorities in the program. Under no circumstance should reallocation account for

more than 10% of the total expenditure approved for a program or sub vote for a given financial year.

- 28) Reallocation from statutory obligations/utilities or specific allocations which were recommended in the “Budget & Appropriations Committee Report” on the Estimates of Revenue and Expenditure for Financial Year 2023/2024 or by the County Treasury, for specific purpose is also not allowed.
- 29) Accounting Officers are required, in accordance with Clause 47(2) of the PFM Regulations, to keep a register of all budgetary reallocations. The register shall be used to prepare a report of all reallocations for submission to the County Treasury not later than 10th day of each month. The report should indicate measures undertaken by the Accounting Officer to mitigate against future reallocations.

- **Supplementary Estimates/Additional Funding**

- 30) The Financial Year 2023/2024 Budget has been formulated under a tight fiscal framework with no expectation of additional funding. The Supplementary budget FY 2023/2024 will be done majorly to incorporate the fiscal balances from the previous financial year. In this regard, Accounting Officers should avoid requesting for additional funding outside the budget framework approved by the County Assembly.

- **Monitoring, Evaluation and Performance Reporting**

- 31) The Financial year 2023/2024 Budget has been prepared based on programmes and sub programmes, with clear outputs, costs, indicators and performance targets. To implement the programmes, annual work plans, procurement plans and cash plans are essential. Monitoring and performance reporting on the status of implementation of these plans is essential for timely implementation of the budgeted programmes.
- 32) To ensure efficient and effective implementation of Programmes and projects, and achievement of intended results, Accounting officers should ensure regular monitoring of both the financial and non-financial performance targets. Accounting officers should

compile and submit quarterly performance reports in accordance to Section 166 of the PFMA, 2012 and Regulation 129 of PFM (County Government) Regulations, 2015

- 33) The Performance reports must indicate any changes to Departments/Entities programmes/priorities and targets as contained in the approved budgets. In case of deviation from the targets, the reports must indicate the reasons that led to the deviation from the original targets and budget in the Approved PBB. Quarterly financial performance reports should be presented according to economic classification, detailing expenditure under each classification in relation to planned expenditure.
- 34) Accounting Officers should also ensure that returns submitted are accurate and timely as they will form the basis for issuance of AIEs for release of funds to Departments/Entities. Each Accounting Officer will be held responsible for the accuracy of the performance reports. These reports should be submitted to the County Treasury by the 10th day after the end of a quarter under the signature of the Accounting Officers in person or a delegated Senior Officer not below the level of a Director. The format for reporting on financial and non-financial performance is provided in **Annex IV** and **Annex V** of this Circular respectively.
- 35) In addition to the financial and non-financial performance report, Accounting Officers are required to submit on a monthly basis actual expenditure returns, Integrated Payroll and Personnel Database (IPPD) returns, pending bills and A-I-A collection returns to the County Treasury not later than the 10th day of the following month.

- **Consolidation of Common Use Items/Votes**

- 36) In order to maximize efficiency and to minimize wastage, the County Treasury consolidated common use votes (2211101-General Office Supplies, 2211201-Refined Fuels and Lubricants for Transport, 2211203-Refined Fuels and Lubricants-other, 3111002-Purchase of Computers, Printers and other IT Equipment, 3111111-Purchase of ICT networking and Communications Equipment) and placed the same under Department of Finance & Economic Planning from the FY2023/2024. This will see all Departments, save for the Department of Health and the County Assembly make requisitions and collect

the consolidated items from central stores managed by the County Treasury. The requisitions will be based on the amounts budgeted for by the respective Departments (Annex VI).

- **County Transport Management Policy**

- 37) In order to streamline management of County transport resources and address underlying gaps thereof, the County is in the process of developing a County Transport Policy. The goal of this Transport Policy is to assist the making of effective decisions concerning the allocation of transport resources, including the management and regulation of existing transportation activities.
- 38) This Policy will guide the Executive Arm of the County Government to effectively and efficiently deliver its functions envisaged in the Constitution and objectives outlined in the Nakuru County CIDP 2023-2027. The specific areas and aspects that the policy aims to address within the County fleet are; technological integration in the County fleet and fuel management, strengthening safety and security procedures of County fleet, promote appropriate human resource capacities and management of the County fleet.

- **Allocation for Conditional Grants**

- 39) The FY 2023/2024 Approved Budget contains an allocation of Ksh. 1.5 billion as conditional grants from the National Government and Development Partners earmarked for various capital and current programmes/projects. Therefore, Accounting Officers whose Departments have such allocations are required to equip themselves with the implementation Legislation/Guidelines for the specific grant(s) to ensure that their purposes are achieved. Further, Accounting Officers are expected to disclose any unspent balances rolled over from the previous financial year, for their inclusion as revenue sources, before they are spent.

- **Allocation For Unconditional Grants**

- 40) The County Treasury has maintained Unconditional grants funded from the County's equitable share of revenue. Accounting Officers of Departments where the grants are

domiciled are required to engage the County Treasury and come up with a disbursement schedule for the grants. The grants include:

- a) Unconditional Grant for Road Maintenance Levy Fund – Ksh. 280,544,581
- b) Unconditional Allocation for Rehabilitation of Youth Polytechnics – Ksh. 54,289,894
- c) Unconditional Allocation to compensate Forgone User Fees – Ksh. 38,723,265
- d) Unconditional Allocation for Level 5 Hospital – Ksh. 373,872,832

- **Management of contracts**

- 41) Poor management of contracts exposes the County Government to huge financial and reputational risks. Departments and entities are required to follow due process in the management of contracts with contractors and service providers as well as in the issuance and cancellation of contracts.

CONCLUSION

Finally, Accounting Officers are required to ensure strict adherence to the 2023/2024 Budget Implementation Guidelines and bring the contents of this Circular to the attention of all relevant Officers working under them.



S. IRIBE NJOGU

CECM, FINANCE & ECONOMIC PLANNING

NAKURU COUNTY.

C.C. H.E The Governor

The Speaker, County Assembly of Nakuru

County Secretary & Head of Public Service

All CECMs

ANNUAL WORK PLAN FOR DEPARTMENTS FOR FINANCIAL YEAR 2023/2024

[illegible]

ANNEX II

CONTRACTS REGISTER

[illegible]

ANNEX III

PENDING BILLS

PENDING BILLS TEMPLATE

DEPARTMENT:									
	Description	FY (When Bill Was Incurred)	Contractor	Contractual/ Award Sum	Amount Paid	Outstanding	Proposed Payment	Reason For Incurring The Pending Bill	
1.									
2.									
3.									
4.									
5.									
6.									
7.									
8.									
9.									
10.									
11.									
12.									
13.									
14.									
15.									
16.									
17.									
18.									
19.									
20.									
TOTAL									

ANNEX IV

FINANCIAL PROGRAMME/SUB PROGRAMME PERFORMANCE REPORT

Quarterly Programme Performance Report for The Period Ending

Department/Entity

Programme:						
Programme Objective:						
Programme	Approved Budget	Quarterly Performance			Variance Between Total Expenditure & Target Expenditure	Remarks
		Target Expenditure	Actual Expenditure	Commitment	Total Expenditure	
Current Expenditure						
2100000 Compensation to Employees						
2200000 Use of Goods and Services						
2400000 Interest Payments						
2600000 Current Grants and Other Transfers						
2700000 Social Benefits						
3100000 Acquisition of Non-Financial Assets						
4100000 Acquisition of Financial Assets						
4500000 Disposal of Financial Assets						
Capital Expenditure						
Non-Financial Assets						
Capital Transfers Govt. Agencies						
Other Developments						
TOTAL						

FINANCIAL PROGRAMME/SUB PROGRAMME PERFORMANCE REPORT

[illegible]

ANNEX VI

CONSOLIDATED COMMON USE ITEMS PER DEPARTMENT

SUB ITEM	DEPARTMENT															Total
	Governor	Finance	CPSB	Trade	Roads	Agriculture	Lands	Water	Public Service	Education	Youth	Naivasha	County Attorney	Nakuru City	Ward	
2211101 General Office Supplies (Papers, Pencils, Forms, Small Office Equipment etc.)	4,900,000	3,222,334	500,000	2,550,000	3,000,000	1,717,000	2,600,000	1,500,000	2,279,040	4,155,330	1,200,000	400,000	1,000,000	1,000,000	-	30,023,705
2211201 Refined Fuels and Lubricants for Transport (P3)	10,500,000	11,197,831	2,000,000	-	22,500,000	12,328,600	3,800,000	14,000,000	-	3,500,000	1,500,000	-	1,300,000	-	13,069,997	95,696,428
2211203 Refined Fuels and Lubricants – Other	-	1,950,000	-	4,000,000	-	-	-	-	5,950,000	-	-	3,000,000	-	1,200,000	-	16,100,000
3111002 Purchase of Computers, Printers and other IT Equipment	3,800,000	7,290,674	500,000	2,187,004	1,500,000	2,000,000	-	1,000,000	3,020,060	4,230,000	1,500,000	2,000,000	1,000,000	750,584	-	30,778,342
3111111 Purchase of ICT networking and Communications Equipment	1,000,000	5,000,000	500,000	-	-	-	150,000	-	-	3,027,860	50,000	600,000	-	-	-	10,327,860
TOTAL	20,200,000	28,660,840	3,500,000	8,737,004	27,000,000	16,045,600	6,550,000	16,500,000	11,249,120	14,913,190	4,250,000	6,000,000	3,300,000	2,950,584	13,069,997	182,926,335

Ward Fuel Breakdown

Malewa West Ward	3,000,000
Kiptagich Ward	600,000
Visoi Ward	3,469,997
Matella Ward	4,000,000
Marashoni Ward	2,000,000
Total	13,069,997